

**PUBLIC EMPLOYEES' RETIREMENT BOARD**

100 N Park, Rm 201  
Helena MT 59620

**Board Legislative Committee Minutes  
Tuesday, January 22, 2013, 1:00 pm**

Chairman Terrence Smith called the PERB Legislative Committee meeting to order at 1:00 p.m. on Tuesday, January 22, 2013. Board Members that participated in the meeting:

*Committee Members:*

Terrence Smith, Chair  
Scott Moore  
Bob Bugni  
Darcy Halpin  
Dianna Porter  
Timm Twardoski  
Melissa Strecker

*Staff:*

Roxanne Minnehan, Executive Director  
Melanie Symons, Chief Legal Counsel  
Barbara Quinn, Fiscal Services Bureau Chief  
Hollie Koehler, Internal Auditor  
Kate Talley, Attorney  
Jenny Weigand, Education Supervisor  
Kris Vladic, Program Specialist

*Public:*

Mike O'Conner, MPERA  
Ed Cleary, MSFA  
Shantil Siaperas, MACo  
Sheryl Wood, MACo  
Tom Schneider, MPEA  
Dan Villa  
Shawn Graham

**OPEN MEETING**

**I. Roll Call**

Roll call was taken. Chairman Terrence Smith and Member Bob Bungi attended in person. Members Darcy Halpin, Dianna Porter, Scott Moore, Melissa Strecker and Timm Twardoski participated via telephone.

**II. Public / Member Comment**

There was no public comment.

**III. Approve Minutes – January 8, 2013**

The minutes from the January 8, 2013 Legislative Committee meeting were presented.

***Motion:*** Member Darcy Halpin made a motion to approve the January 8, 2013 minutes as

*presented.*

**Second:** *Member Bob Bugni*

**No public comment.**

**Vote:** *5/1, Member Dianna Porter abstained and Member Timm Twardoski not present for vote.*

#### **IV. Executive Director Report**

##### **a. Review Upcoming Legislation**

##### **i. HB 175 & MPERA Fiscal Note – Include 911 Dispatchers in SRS**

HB 175 provides for the transfer of dispatchers from the Public Employees' Retirement System to the Sheriffs' Retirement System (SRS). Barbara Quinn presented the fiscal note. Employers will have to pay a higher contribution rate. Most dispatchers that work for the state at the Department of Justice would opt to move to SRS causing an increase in state special revenue expenditures for employer contributions.

The Board is in support of this bill. It has been referred to the Joint Select Committee on Pensions and there is not a hearing date scheduled yet.

Sheryl Wood from MACo reported that MACo has not made a position on this bill yet. She asked if there are any actuarial projections regarding the soundness of SRS and the impact of adding more members to that system. Barbara Quinn stated that the information is provided in the fiscal note and gave instruction on where and how it is presented.

##### **ii. HB 234 – Revise Compensation Definition in MPORS & FURS**

HB 234 revises the definition of compensation used for calculation of retirement contributions and benefits under the Municipal Police Officers' Retirement System (MPORS) and the Firefighters' Unified Retirement System (FURS). The definition of compensation will now include compensatory leave, sick leave, annual leave, banked holiday time, or a leave of absence before any pretax deductions allowed by state or federal law are made. The unfunded actuarial liability will increase \$28 million for MPORS and \$12 million for FURS. The compensation will increase which in turn will cause an increase in employer contributions. The budget office has inquired as to what the increase in benefit will be. Barbara Quinn will continue to correspond with the Budget office.

The amortization period will decrease for both and the normal cost will increase. For MPORS the aggregate compensation used to calculate benefits is anticipated to increase by 19.3% and FURS aggregate compensation is anticipated to increase by 10.2%. The reason for the significant difference is that MPORS members historically have more overtime.

##### **iii. Governor's Bill – discussion to roll-in HB 95 & HB 97**

Dan Villa and Shawn Graham from the Governor's office were in attendance for the discussion of the Governor's Bill. The substantive changes the Governor Bullock has made from Governor

Schweitzer's bill are as follows:

- 1) Ideas from HB 95 & HB 97
- 2) Utilization of coal severance tax revenue to help cover the arc for all public employees
- 3) 125 Plans – how to address the issue in future contract discussions at the local level

He met with the Joint Select Committee on Pensions this morning. He reported that this is the largest coalition ever put together to address the unfunded liability of pensions. He has had discussions with MACo and the League of Cities and Towns as well as other public employee associations. He presented the parameters of the proposal to the committee. One of the items outlined was that they would not support a Defined Contribution Plan only, because there has not been enough documentation to support that there is any savings to the state.

b. Status on Board Bills

i. HB 91 – Roth 457

HB 91 was heard by the House State Administration committee on January 21, 2013. Representative Ryan Lynch presented the bill. There were a lot of questions and concerns regarding the cost of the new plan. We expect the Executive Action to be taken on the bill on Thursday, January 24<sup>th</sup>, 2013.

ii. HB 95 – Working Retiree

HB95 has been assigned to the Joint Select Committee on Pensions. This bill has not been scheduled for hearing yet. The committee will only be meeting on Tuesdays and Thursdays at 8:30 a.m. until noon.

Roxanne Minnehan reported that Kurt Bushnell contacted her and asked that FURS be amended out the bill. He stated that they don't have any working retirees at this time and so they wouldn't be impacted.

The Board agreed to leave the bill as introduced.

iii. HB 96 – Funding Bill

HB 96 has been assigned to the Joint Select Committee on Pensions. This bill has not been scheduled for hearing yet. The committee will only be meeting on Tuesdays and Thursdays at 8:30 a.m. until noon.

iv. HB 97 – Cap HAC

HB 97 has been assigned to the Joint Select Committee on Pensions. This bill has not been scheduled for hearing yet. The committee will only be meeting on Tuesdays and Thursdays at 8:30 a.m. until noon.

The Firefighters Association has contacted Senator Wilmer. They are concerned that the cap on HAC could affect members that go from floor officers to captains. In some departments, this could mean an 18% increase in compensation. Other departments could mean 25% increase. Most people will work in the three year highest average compensation years so it wouldn't be viewed as salary spiking.

The Board agrees that we should leave the bill as introduced.

v. HB 105 – General Revisions

HB 105 has been assigned to the Joint Select Committee on Pensions. This bill has not been scheduled for hearing yet. The committee will only be meeting on Tuesdays and Thursdays at 8:00 a.m. until noon.

vi. HB 122 – Qualifications

HB 122 was heard on January 21, 2013. There is a provision in the bill for us to charge actuarial costs back to the employers. Each employer shall pay the employers share of the actuary's cost for preparing the information or disclosures as determined by the board. There is concern about cost to the local governments. There was discussion of adding an amendment to remove this provision. Sheryl Wood reported that she talked with several of the members stating that the request was fair. She stated they would not be moving forward with an amendment.

c. Status on Other Bills

i. HB 80 – Authorize peace officer status for DOC criminal investigators

HB 80 has been tabled in House Judiciary Committee.

ii. SB 82 – Require PERS new hires to be in DC plan

SB 82 which requires new PERS members to be in the DC plan has been referred to the Joint Select Committee on Pensions. This requirement will only be for PERS members. There was inquiry as to whether or not it would include other systems. Mike O'Conner stated that he and Roxanne were going ask Senator Lewis if there is intention to include all systems.

iii. LC 0655 – Provide funding for pension debts, all new hires to DC plan

LC0655 is proposing that all new public employees in all systems, including Volunteer Firefighters and Teachers Retirement System, will be required to become members of a statewide defined contribution plan. Keith Reiger is the requester of this legislation.

d. January 22 – House State Administration Educational Meeting

The Joint Select Committee on Pensions and the House State Administration met on January 22, 2013. Dave Bohyer and Joe Triem are the Legislative Branch Staffers on the Joint Select Committee

on Pensions. Sheri Scurr is the Legislative Branch Staffer from the House State Administration Committee. Sheri Scurr presented the basics of how pensions work and did a review of the Green Sheets.

Dave Senn from Teachers Retirement System gave a presentation of their system and Roxanne Minnehan presented MPERA's systems. This included actuarial valuations binders prepared for the committee. David Ewer, from Board of Investments gave a presentation of the investments.

There was a presentation of all the bills that are being introduced regarding retirements. There was a brief overview bills on a handout showing the bills still waiting to be introduced.

Amy Carlson and Taryn Purdy gave a presentation in regards to the funding of pensions. They also stated the Governor's Bill did not go far enough to secure funding.

The Joint Select Committee on Pensions will be meeting every Tuesday and Thursday at 8:30 a.m. Our staff will be attending all of the meetings.

e. DCRP – Vesting Required for Distribution at Normal Retirement Age

Melanie Symons stated that she is still working on this item.

f. Other?

HB 209 which prohibits the implementation of pay increases for a state employee if the retirement system to which the employee belongs is actuarially unsound has been withdrawn.

The Lunch-N-Learn meetings went well. The attendance wasn't as high as expected, but sessions had good questions and discussions. We will be having another series of Lunch-N-Learns mid-session and after session.

The Board Policy Committee meeting is tentatively scheduled for January 31, 2013 from 1:00 p.m. to 3:00 p.m.

The Board's legislation tracking sheets will be included in the agenda for each meeting.

#### **ADJOURNMENT:**

There being no further business before the Legislative Committee, Chairman Terrence Smith adjourned the meeting at approximately 2:14 p.m.